

February 18, 2005

## VIA HAND-DELIVERY AND FIRST CLASS MAIL

Ms. Kristi Izzo, Secretary Board of Public Utilities Office of Clean Energy Two Gateway Center Newark, New Jersey 07102

Re:

In the Matter of a Voluntary Green Power Choice Program Docket No. E0050100001

Dear Secretary Izzo:

The Atlantic City Electric Company, d/b/a Conectiv Power Delivery ("Atlantic Electric" or "the Company"), hereby offers its written comments regarding the proposed New Jersey Voluntary Green Power Choice Program in response to the Order issued by the Board of Public Utilities ("BPU" or the "Board") on January 12, 2005, Docket No. E0050100001 soliciting public comment. Atlantic Electric offered its oral comments regarding the proposed program during the BPU public hearing held on February 10, 2005.

Atlantic Electric supports the establishment of an active and competitive market for renewable energy resources within New Jersey and throughout the PJM Power Pool. The Company is willing to work closely with other electricity market stakeholders in New Jersey to further develop a competitive market for renewable energy resources within New Jersey. Atlantic Electric has been an active participant in the Voluntary Green Power Choice Working Group. The Company has worked diligently to help

determine the most appropriate design for a program in New Jersey and to identify the most feasible method of implementing line-item utility billing for a voluntary renewable energy certificates ("RECs") program.

Fundamentally, Atlantic Electric believes that the role of electric distribution companies ("EDCs") in the competitive REC market should be one of customer education, not one of providing significant "back office" support to suppliers.

Competitive suppliers (Green Power Marketers or "GPMs") of RECs are in the best position to provide attractive renewable product offerings to New Jersey electricity customers and to provide all of the associated customer service functions. For it is competitive suppliers that have the opportunity to profit from the sale of RECs. Atlantic Electric's major concerns regarding the proposed program are described below.

#### Cost Effectiveness

It is important that the benefits obtained through the Voluntary Green Power Choice Program exceed the costs to New Jersey's electricity customers. If the number of program participants is expected to be small and/or the length of their participation is expected to be brief, it makes little sense to implement a costly and technically elaborate program. The Office of Clean Energy states in its program proposal that the average number of participants in green power programs nationally ranges from one to two percent. (Program Proposal at 4.) In 2003, the National Renewable Energy Laboratory reported that the average percentage of customer participants in all utility green power

pricing programs was one percent.<sup>1</sup> Table 1 contains specific green power participation data reported by the Office of Clean Energy.

Table 1
Participation Rates for Various Green Power Programs<sup>2</sup>

	Portland General Electric <u>Renewable/Habitat</u>	PacifiCorp <u>Blue Sky</u>	Niagara Mohawk <u>GreenUp</u>	Mass. Elec. & Nantucket Elec. <u>GreenUp</u>
Year Est.	2002	2000	2002	2003
Min. Purchase Participation	200 kWh	100 kWh	Less than 100%	50%
Rate	4%	0.16%	0.64%	0.15%
Number of Utility Cust.	750,000	1,500,000	1,500,000	1,300,000

If average national market penetration rates are applicable to the restructured New Jersey electricity market and one percent of customers participate, approximately 37,000 New Jersey customers would participate in the Voluntary Green Power Choice Program. The total number of customer participants in the Atlantic Electric service territory would be only approximately 5,000. Table 2 contains projected customer participation levels at various penetration rates.

<sup>&</sup>lt;sup>1</sup> Bird, Lori and Swezey, Blair, 2003. <u>Green Power Marketing in the United States: A Status Report,</u> National Renewable Energy Laboratory, Golden CO; pp. 3 - 4.

<sup>&</sup>lt;sup>2</sup> Draft Straw Proposal, "NJ Clean Energy Program Voluntary Green Power Choice Program," May 2004.

Table 2
New Jersey Voluntary Green Power Choice Program Participation<sup>3</sup>

<b>Utility</b>	0.1 Percent Participation	0.5 Percent Participation	1 Percent Participation	2 Percent Participation
Atlantic Electric	521	2,605	5,211	10,421
JCP&L	1,058	5,292	10,584	21,168
PSE&G	2,023	10,113	20,225	40,451
Rockland	71	357	714	1,428
TOTAL	3,673	18,367	36,734	73,468

Market penetration levels could well be lower in New Jersey – many voluntary green choice programs in other states permit customers to match only a portion of their energy consumption with renewable energy rather than their entire consumption. The proposed New Jersey program requires that all of a customer's electricity consumption be matched with RECs, thereby increasing each participant's costs and most likely reducing participation levels. Additionally, New Jersey customers may be more or less willing to purchase RECs and increase their costs of purchasing electricity than customers in other states. It will not be cost-effective to implement a green power choice program that costs millions of dollars to implement and operate if relatively few customers participate. Prior to approving the proposed Voluntary Green Power Choice program, Atlantic Electric recommends that the BPU require the Office of Clean Energy to conduct a market research study in New Jersey to obtain some sense of customer interest in participating in the program. If this market research indicates that customer participation is expected to be low, the program proposal could be redesigned to be more attractive to customers and

<sup>&</sup>lt;sup>3</sup> Based upon number of BGS customers as of December 17, 2004.

to be less costly to implement and operate. It is difficult to design a cost-effective and appropriate program for New Jersey without any New Jersey specific estimate of expected market participation levels.

During the public hearing that was held on February 10, 2005, two of the prospective competitive suppliers expressed their concerns regarding various components of the proposed program. The active participation of GPMs in the proposed programs is a critical component of the proposal — without their participation, the program will not be successful. It is unclear at this time how many competitive REC suppliers will actually participate. Therefore, Atlantic Electric recommends that the BPU direct the Office of Clean Energy to contact prospective GPMs to gauge their interest in program participation prior to approval of the proposed program. If it is determined that there is a lack of supplier interest, the proposal could be revised to be more attractive to competitive suppliers.

Under the proposed Voluntary Green Power Choice Program, GPMs would be able to bill Basic Generation Service (BGS) customers for RECs through electric distribution company bills on a separate billing line. This represents a very costly change to the existing New Jersey utility bills and is not simple to accommodate. A change of this magnitude will require substantial modifications to existing utility billing software and will require billing system testing and the creation of additional electronic data interchange protocols. Atlantic Electric's preliminary estimate of the costs for it to implement line-item billing for RECs ranges between \$1 million to \$2 million – the actual implementation cost will depend upon final program specifications.

This cost estimate does not include other utility program startup expense — specifically the additional costs Atlantic Electric would incur to print and mail informational/enrollment materials, modify websites, establish call center telephone scripts, develop new billing related procedures, and to train and potentially hire additional staff. Additionally, it does not include the costs that will be incurred by the Office of Clean Energy to oversee the program, to develop marketing plans and materials, the additional call center expense to handle specific inquiries, the cost to establish a center to process customer enrollments, and the licensing of Green Power Marketers. Therefore, the start-up costs within the Atlantic Electric service territory alone are likely to cost New Jersey electricity consumers considerably more than \$1 million or \$2 million.

In addition to start-up costs, each utility and the Office of Clean Energy would incur ongoing operational expense. Utility expenses include billing customers, bad debt related expense, the handling of collected monies, costs related to mailing informational/enrollment materials, costs associated with handling customer inquiries, and overall interactions with GPMs. Atlantic Electric has not estimated the annual ongoing expense of the proposed program, but clearly the annual costs would be significant. The Office of Clean Energy would have ongoing expenses associated with the oversight of the program, call center expense, enrollment expense, ongoing GPM licensing expense, marketing expense, program reporting expense, and program evaluation expense. The Office of Clean Energy's annual ongoing expenses for the proposed program are not likely to be trivial.

# Alternative Program Proposal

A far less costly and more cost-effective voluntary green power choice program would entail the following. The electric distribution companies would participate in a REC customer education effort through information contained in their customer newsletters, through materials included with customer bills, and by information contained on utility websites or through links to other Internet sites. GPMs would be responsible for enrolling customers, billing customers, and the handling of all related customer inquiries. GPMs could bill customers directly or through a monthly charge on participants' credit cards. All New Jersey electricity consumers would be eligible to participate in such a program, not just those customers procuring BGS power. Any REC supplier meeting established Board requirements would be eligible to participate in the Program, thereby fostering competitive market choice. REC suppliers would be free to design REC programs that best meet customer needs, providing customers with additional market choices while permitting timely modification of program design. No specific REC programs would be mandated by the group or the Board, although REC suppliers would have to meet Board established guidelines. This is a model that is under consideration in several other jurisdictions.

Alternatively, competitive suppliers can already offer green energy products in the New Jersey electricity market as an energy supply option or as non-regulated suppliers of RECs.

## Program Evaluation/Duration

The primary goal of New Jersey's green power choice program should be to develop a REC program that provides additional opportunities for customers to procure renewable electricity resources at a reasonable price while helping a competitive market for renewables in New Jersey to flourish. The proposed program plan contains no goals for customer participation or plans for program evaluation. If the BPU approves the program proposal, Atlantic Electric recommends that customer participation goals and program evaluation plans be created. If a future evaluation determines that the program has not been successful, the program should be eliminated – it makes little sense to continue to operate a program that is not able to accomplish its objectives. Alternatively, if the evaluation determines that the program has been highly successful and that a competitive market for renewable resources is flourishing in New Jersey, future utility involvement in the program should be lessened.

## **Proposed Program Timeline**

The program proposal contains a preliminary timeline that would require the program to be operational within eight months or by October 2005. If the Board approves the program as proposed, Atlantic Electric believes that meeting this time schedule will be very challenging for both the utilities and the Office of Clean Energy. Utilities will be required to implement line-item billing, revise existing EDI protocols, test billing system changes, conduct supplier EDI transaction testing, establish new procedures, and train and potentially hire staff. Past experience on projects of similar magnitude indicates that billing system and supplier transaction testing alone can take five to six months. When added to all the other tasks that must be performed in order to

implement the program as proposed, the October 2005 deadline appears unlikely to be met. The Office of Clean Energy will have to establish a procedure to license GPMs and to actually license them, to develop marketing and enrollment materials, to establish a customer enrollment center, to establish an entity to handle customer inquiries, and to oversee the implementation of utility line-item billing and all of the associated rules. If the Board approves the program, a longer and more flexible time schedule for program implementation will ensure that the program is implemented properly. It is important that we take the time now to create a well designed Voluntary Green Power Choice Program — to do otherwise will lessen the willingness of consumers to participate in the renewables market, which will make it less attractive for competitive GPMs to participate in the New Jersey electricity market.

# **Utility Cost Recovery**

The timely recovery of any utility incurred Voluntary Green Power Choice

Program costs is critical for utility participation. The program proposal recognizes this and contains recommended cost recovery language. Atlantic Electric recommends that any final Board order approving the Voluntary Green Power Choice Program provide a timely cost recovery mechanism for all electric distribution company program costs, which are expected to be substantial. It is important that the specific programmatic requirements for each utility be identified by the BPU.

Atlantic Electric will take steps in the near-term to make additional preparations for the implementation of line-item billing. Atlantic Electric understands that the Company will be able to recover these costs even if the BPU makes a determination that

utility line-item billing for the Voluntary Green Power Choice Program is unnecessary or should be implemented in a different manner.

#### Conclusion

Atlantic Electric appreciates the opportunity to comment on the proposed Voluntary Green Power Choice Program. Atlantic Electric looks forward to working closely with the Office of Clean Energy and other New Jersey electricity market participants to implement a renewables program that fosters the development of a competitively robust market for renewable resources within New Jersey. The Company has several concerns regarding the proposed Voluntary Green Power Choice Program; however, Atlantic Electric is committed to implementing a Board order that is issued on this program as effectively as possible.

For the reasons expressed above, the Company urges the Board to consider implementing the administratively simpler, less costly program described above as the "Alternative Program Proposal." Such a program could be implemented by October 2005 and would allow for the development of a green choice program while additional data are collected that can be used to evaluate the program and its goals.

Respectfully submitted Atlantic City Electric Company,

Randall V. Griffin

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Green Power Choice Working Group (via e-mail distribution only)